

Member Update

Number 76, Spring 2006

A newsletter for members of the OMERS pension plan

OMERS beats its benchmark with a strong year in 2005

Net investment assets grow to \$38.3 billion

The new OMERS Act
Expected to become law
later this year
See page 3.

OMERS investments had another great year in 2005. The total fund return was 16.0% in 2005 – exceeding the benchmark return of 13.2%. The actuarial value of net assets grew to \$38.3 billion from \$36.8 billion as at December 31, 2004.

Funding status

Investment returns in 2005 exceeded the funding requirement, but the actuarial deficit in the basic plan increased to \$2.8 billion. This is based on actuarial assets of \$38.3 billion minus an actuarial liability of \$41.1 billion.

Continued on page 2...

What's inside

Ontario government to change rules on mandatory retirement	2
Private equity	4
Satisfaction poll	6
Your Pension Report	6
OMERS online	7
OMERS financial series	7
Member information sessions schedule	8
Parlez-vous français?	8

"The exceptional returns from our private market investments in real estate, infrastructure and private equity, combined with the continued strength of global equity markets contributed to another strong year," said OMERS President and Chief Executive Officer Paul Haggis. "Our asset mix strategy is working and we remain committed to increasing our asset allocation in private market investments."

All groups delivered strong returns

Four investment groups focus on specific areas with specialized expertise – public markets, private equity, infrastructure and real estate. All four groups have delivered superior returns over the past couple of years. See the "Rates of return for OMERS investment groups" chart on the next page.

Each group will be featured in an issue of *Member Update*, starting with private equities on page 4 of this newsletter.



...continued from page 1

OMERS beats its benchmark with a strong year in 2005

This increase is partly due to the actuarial smoothing of investment returns: a portion of the losses from 2001 and 2002 are recognized in 2005 actuarial assets and a significant portion

of the gains of the past three years are deferred to the future. Wage adjustments, demographic factors and inflation increases for pensions also contributed to a higher-than-anticipated liability.



See the enclosed *Report to Members* for highlights on OMERS performance.

Rates of return for OMERS investment groups

Public markets

12.6%

2005

10.3%

2004

Quick analysis: The higher return in 2005 is attributable to significantly higher returns in the Canadian public equity markets and the strength of the global equity markets.

Private equity

23.2%

12.5%

Quick analysis: The increased return in 2005 is due to strong market value appreciation on several investments that realized improved financial performance as the businesses matured.

Infrastructure

23.2%

31.0%

Quick analysis: The second straight year of strong returns in the energy sector have contributed to another successful year for infrastructure investment.

Real estate

26.0%

11.0%

Quick analysis: Returns in 2005 increased dramatically with the strong rental operating income plus favourable market value appreciation.

Ontario government to change rules on mandatory retirement

Your OMERS retirement age not affected by legislation

The Ontario government's legislation banning mandatory retirement at age 65 will likely take effect this fall. This legislation will not affect your OMERS pension.

The normal retirement age of OMERS members is 65 (or 60 for most police officers and firefighters), but some

members, with the consent of their employer, continue to work past their normal retirement age.

If you continue to work for an OMERS employer, or are paid past age 65 (or age 60 for police and firefighters), your active membership in OMERS will continue. However, the Plan requires

that you start your pension by the end of the month in which you turn 69. At that time, OMERS will provide you with a monthly pension whether or not you are still working, and you will no longer make contributions.

The new OMERS Act expected to become law later this year

The previous *Member Update* was a special edition covering Bill 206 (an Act to Revise the Ontario Municipal Employees Retirement System Act) in detail. Bill 206 was passed by the Ontario legislature on February 23, 2006. The Act will take effect upon proclamation, which is expected later this year.

Many members have contacted OMERS over the past months with questions about the new OMERS Act. A few of the most frequently asked questions are answered below. For more FAQs and detailed information about the new OMERS Act, including an overview of the legislation, visit www.omers.com.

What is the new OMERS Act?

- The new OMERS Act is legislation that establishes a new and independent governance model for OMERS. It gives employers and employees more control over the OMERS pension plan and it introduces opportunities to negotiate additional benefits through supplemental plans.
- Essentially, it changes the OMERS plan sponsor. The Ontario government established OMERS in 1963 and since then has had final approval for benefits and

contribution rates. The new model outlined in Bill 206 replaces the Ontario government with a Sponsors Corporation that represents those who own the plan: active and retired OMERS members and OMERS employers.

- The OMERS Board, which would be known as the Administration Corporation, would continue to oversee investments and administer the Plan.

Will the new OMERS Act affect my pension or my retirement date?

Nothing in the new OMERS Act puts your pension at risk. It does not change the terms of the current plan. Current pension benefits and contribution rates will not change as the result of the new OMERS Act.

Will the new OMERS Act change OMERS investment strategy?

Our investment strategy – which earned 16.0% in 2005 – will not change. OMERS pensions are strong and secure.

What are supplemental plans?

- Supplemental plans are separately funded, stand-alone pension plans that would offer benefits not

available in OMERS primary plan. Benefits such as these are paid for by extra contributions only from participating members and employers.

- Supplemental plans must be made available to police, firefighters and paramedics within 24 months of the new OMERS Act coming into effect. The plans would be implemented if and when they are bargained for and agreed to by members and employers at the local level. Visit www.omers.com for information about supplemental plans for police, firefighters and paramedics. Click on Police/Firefighters/Paramedics (Supp. Plans) in the Members section.
- The legislation states that only one new supplemental benefit can be negotiated initially and additional benefits only once every three years.
- The legislation also permits supplemental plans for other OMERS members. Any supplemental plan would require a two-thirds majority of the Sponsor's Corporation and then would need to be bargained for at the local level. Visit www.omers.com for information about supplemental plans. Click on Frequently Asked Questions/New OMERS Act in the Members section.

Governance structure: Current

Provincial Cabinet <ul style="list-style-type: none">• Plan design/benefit changes• Contribution rates	OMERS Board <ul style="list-style-type: none">• Plan administration• Investment of funds
--	--

Governance structure: New OMERS Act

Sponsors Corporation <ul style="list-style-type: none">• Plan design/benefit changes• Contribution rates	Administration Corporation <ul style="list-style-type: none">• Plan administration• Investment of funds
--	---

Private equity: a powerful tool in the asset mix

The portfolio is diverse. The strategy is long-term investments in private growth companies and fund relationships. The payoff is when the private company goes public or it is sold. The results - 23.2% rate of return in 2005 - speak for themselves.

About \$2.2 billion, or about five per cent of OMERS total net investments are currently invested in private equities. Over the next few years, we expect this will increase to approximately 10% of the total Fund.

Private equity investments appeal to OMERS because the high absolute long-term returns fit with OMERS long-term pension promise.

Two forms of investments

The investment strategy for private equities takes two forms.

1. Fund Relationships

OMERS Capital Partners (OCP) invests as a limited partner in a fund managed by external fund managers. OCP has relationships with 35 external fund managers. Examples include:

Credit Suisse First Boston: This New York-based fund manager has created one of the largest private equity pools in the world.

Celtic House Venture Partners: Ottawa-based Celtic House provides early-stage venture capital, management experience and industry connections to technology entrepreneurs in North America and

the United Kingdom. It has supported more than 50 start-ups, many of which have been acquired by other firms or become public companies. OMERS committed US\$13.5 million to Celtic House in 2002.

2. Direct Investments

OCP staff are directly involved with all aspects of the investment - identifying the opportunity, conducting due diligence, structuring the transaction and generally leading the investor consortium. OCP manages 15 direct investments. Examples include:



Cookie Jar:

This company develops, produces, markets and distributes high-quality, non-violent programming

and supplemental educational products for children, families and educators worldwide. It has a 20% interest in Teletoon Canada Inc., which operates a 24-hour animated television channel. The company was privatized in 2004. OMERS has been an owner since March 2004.



Give and Go Prepared Foods Corporation:

This Toronto-based wholesale

GIVE & GO™

bakery products include Two-Bite Brownies™, Cinnamon Crunchies™, Butter Tarts and Two-Bite Coffee Cakes™. The company markets its products throughout Canada and has expanded into the United States. OMERS has been an owner since September 2003.

The strategy

Private equity investments generate profit, but the biggest payoffs are usually related to a sale. OMERS will manage and nourish the company for several years, and then sell it to another private owner or take the company public. Below is an example of how this strategy works.



The company: CRC Health Group, San Jose, California

The business: CRC is the largest for-profit operator of treatment centres for chemical dependency and mental disorders in the United States. The company provides life-long care to clients, including initial detoxification, residential treatment, day and outpatient treatment, sober living, community living and after care.

OMERS investment (December 2003): US\$10 million (preferred shares).

Performance: Excellent. Revenue of US\$165 million in 2004, compared to US\$102 million in 2003.

The payoff (February 2006): OMERS sells for US\$34.5 million, earning 67% as the investment rate of return.

...continued from page 4

Private equity: a powerful tool in the asset mix

A well diversified portfolio

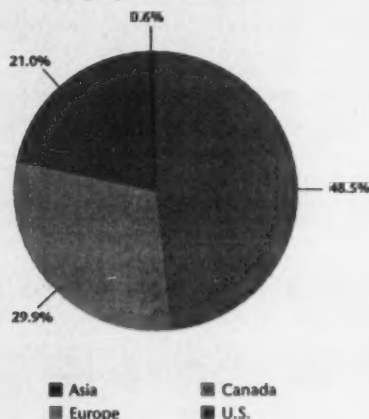
OMERS Capital Partners manages private equity investments on behalf of

OMERS. OCP has built and continues to build a diversified portfolio across a

variety of industries as shown in the charts below.

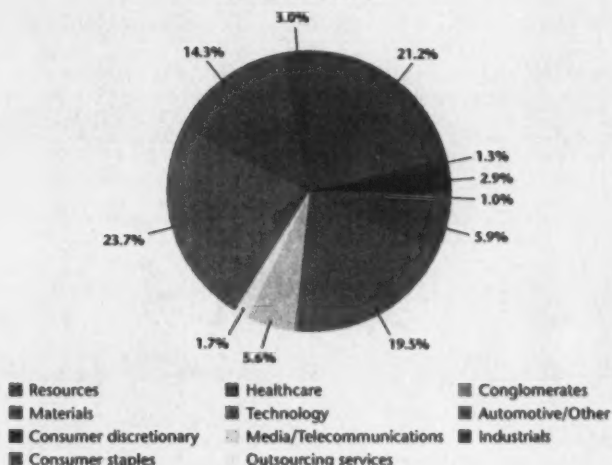
OMERS private market investments

Geographic allocation



Based on market value as of December 31, 2005

Sector allocation



Membership facts

122,909 women and 107,827 men are active members in the OMERS plan.

All members are employed in Ontario: 48% work for municipalities, including cities, regional municipalities; 28% are employed by school boards; 24% work for other local boards including police service boards, public utilities and children's aid societies.

76% of members work full-time; 24% work part-time, on contract or seasonally.

About 9% of OMERS active members are in their twenties; 23% are in their thirties; 37% are in their forties; and 27% are in their fifties; 4% are in the 60 to 64 age group.

94 active members are under age 19; 363 are 65 and older.

As of December 31, 2005

An OMERS member is most likely a woman, in her forties, working full-time for a municipality.

Value, security and trust drive satisfaction for members

Value, security and trust in OMERS are key factors influencing satisfaction among active members, according to a market research poll conducted by Millward Brown on behalf of OMERS. The research also suggests that familiarity with the plan and feeling informed contribute to member satisfaction.

Compared to previous years, overall satisfaction and trust with OMERS is high among members. "This is great news for OMERS," says Ruth Abbott, Vice President, Strategy and Marketing. "It tells us that members understand that their OMERS pension is strong and secure."

The research also shows that members 55 and older win the ribbon for overall

knowledge of their pension plan and interest in what OMERS is doing.

The market research included random telephone interviews with 400 active members, 400 retired members, 100 employers and 100 local government elected officials. Focus groups were also conducted with these key stakeholder groups.

Your Pension Report

The *Pension Report* outlines your future pension benefit, showing how it grows with each year of service in the plan. It provides detailed information about your pension, including:

- Your normal retirement date
- Early retirement information
- The pension calculation - this is your salary and service information shown in OMERS pension formula.

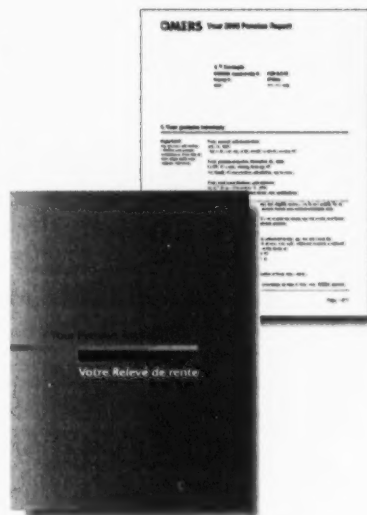
2005 Pension Reports

Each year, your employer sends us the previous year's data for its OMERS members. Once the data is processed, we are then able to produce pension reports. By April 23, we had processed data and produced reports for over

84,000 members. If you haven't received a report, we may be waiting for or processing your employer's data - your report will be produced as soon as this process is complete.

Moving? Tell your employer

Your *Pension Report* or this newsletter may be mailed directly to your home. This is possible because your employer has provided us with your mailing address. If your address changes, be sure to tell your employer - we don't keep member addresses on our database.



Quick tip: Check for an expiry date

Some of our cost estimates have expiry dates. After the expiry date, fluctuations in interest rates or other

factors could change the calculation. If you receive a cost estimate or other package from us, be sure to submit the

required forms before the expiry date and avoid processing delays or additional costs.

OMERS online: making retirement planning easier

Visit www.omers.com. There's more than just great information and news about your pension. There are two estimators to help you with your retirement planning.

COMPARISON OF MY INCOME	
Before retirement	
Annual earnings (before tax)	\$65,535.83 (1)
CPP contributions	\$4,547.55 (2)
Employment Insurance contributions	\$1,000.00 (3)
Income tax	\$17,717.17 (4)
Net annual income before retirement	\$42,271.11 (5)
After retirement	
CPP payment	\$24,250.47 (6)
Employment Insurance	\$1,000.00 (7)
Income tax	\$1,500.00 (8)
Other retirement income	\$0.00 (9)
Net annual income after retirement	\$23,750.47 (10)
Percentage of your pre-retirement income you will receive after retirement	56% (11)

Retirement Income Estimator - estimates your retirement income from OMERS and other sources.

Buy-back Estimator - estimates the cost to convert past service into OMERS credited (paid) service. The Buy-back estimator also includes information on the types of service you can buy back and how to proceed with a service purchase.

Thinking about buying service?

Use the Buy-back Estimator to estimate the cost, then use the Retirement Income Estimator to see how the extra service will increase your pension.

Use the Retirement Income Estimator at www.omers.com to estimate your net income before retirement and compare it to your net income after retirement.

Coming soon...

OMERS financial planning series

Join the conversation: e-mail feedback@omers.com

Start with a dream. Finish with a plan. Financial planning always starts with setting goals to realize your retirement dreams. The task then is to support these goals through sound planning, including:

- Cash management: budgeting, debt and savings
- Estate planning: wills, powers of attorney and survivor benefits
- Tax planning: RRSP room and reducing income tax
- Retirement planning: sources of retirement income.

In the next few issues of *Member Update* we will discuss these four main areas of financial planning and how your OMERS pension fits into the picture.

We will be collecting quotes and experiences from OMERS members. To participate in a phone or e-mail interview and share your financial planning ideas and experiences, please send an e-mail with your contact information to feedback@omers.com.

Visit "Details about your plan/Words to the Wise" in the Members section at www.omers.com for retirement planning comments previously gathered from active and retired members.

Attend a member information session

Learn about your OMERS pension at a member information session. The sessions are fun and informative and offered free of charge. Topics covered include early retirement options,

inflation protection and survivor benefits. To register and to confirm the meeting location, contact OMERS Client Services, or register online at www.omers.com.

Sessions scheduled for 2006 (May to September)

Date	Place	Date	Place	Date	Place
May 29	Fort Frances	June 7	Toronto	September 13	Kitchener-Waterloo
May 30	Kenora	June 7	Owen Sound	September 21	Parry Sound
May 31	Dryden	July 19	York Region	September 27	St. Catharines
June 2	Sioux Lookout	August 23	Belleville	Register early. The sessions fill up quickly. All sessions except for the Sioux Lookout session take place from 5:30 to 7:30 p.m. The session in Sioux Lookout is held from 9:30 to 11:30 a.m.	
Between October and December, sessions will be held in Barrie, Ottawa, Sault Ste. Marie, Chatham/Wallaceburg, Kincardine, Markham, Halton, Durham and Toronto.					

Parlez-vous français?

Au cours de l'année écoulée, nous avons fait des progrès. Ici, nous l'espérons, permettront d'améliorer l'expérience d'OMERS de nos participants francophones.

- Nous avons ajouté un autre agent d'information à notre centre d'appels. Cela porte notre effectif francophone à deux personnes à temps plein, auxquelles s'ajoutent deux remplaçants, ce qui permettra de répondre plus rapidement aux appels en français.
- Nous avons entrepris un examen complet des documents imprimés que nous fournissons à nos participants – brochures, formulaires, lettres, etc. – afin de nous assurer qu'ils sont tous disponibles en français. Il y a encore deux ou trois lacunes et nous nous employons à les combler.
- Nous sommes en train d'accroître le contenu en français de notre site Web (www.omers.com). Nous avons en outre adopté une présentation semblable à celle de notre section en anglais.
- Nous continuons d'offrir des séances d'information des participants en français afin de leur présenter le régime OMERS. Communiquez avec votre employeur ou le

Service à la clientèle d'OMERS pour vous savoir quand nous serons dans votre région ou pour prendre rendez-vous.

Certaines améliorations ne se font pas du jour au lendemain, mais nous tenons à fournir à nos participants francophones les documents et les services dont ils ont besoin pour comprendre le régime OMERS. Si vous avez besoin d'un document ou d'un service qui n'est pas actuellement offert en français, nous nous ferons un plaisir de vous aider.

OMERS

Plan for the Future

Your OMERS pension is based on your earnings and service. It will provide you with guaranteed retirement income for life, and it includes:

- inflation protection
- excellent survivor benefits
- disability benefits
- early retirement options.

It is also portable to many other public sector plans.

Member Update keeps more than 230,000 members of the OMERS pension plan up to date on plan news and benefits.

We value your views and comments. Send us an e-mail or write to us.

For more information on your OMERS pension, please contact Client Services. Our service hours are Monday to Friday, 8:00 a.m. to 5:00 p.m.



Phone
416-369-2444
1-800-387-0813



Fax
416-369-9704
1-877-369-9704



Mail
One University Ave.
Suite 700
Toronto ON M5J 2P1



E-mail
client@omers.com
(en français ou anglais)



Web
www.omers.com